

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
OFFICE OF UTILITY CONSUMER COUNSELOR
STATE OF INDIANA
April 1, 2002 to March 31, 2005

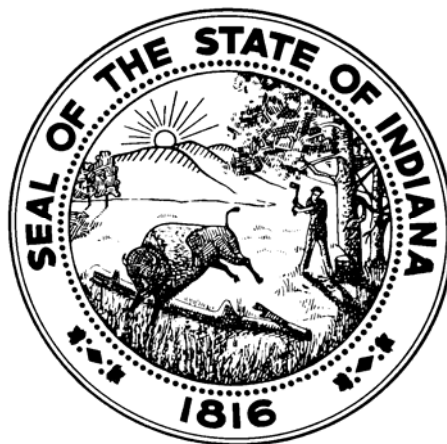


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AGENCY OFFICIALS

Office

Official

Term

Executive Director

Anne E. Becker
Susan L. Macey

01-08-01 to 01-09-05
01-10-05 to 01-11-09



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF OFFICE OF UTILITY CONSUMER COUNSELOR

We have reviewed the receipts, disbursements, and assets of the Office of Utility Consumer Counselor for the period of April 1, 2002, to March 31, 2005. The Office of Utility Consumer Counselor's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Office of Utility Consumer Counselor are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

May 3, 2005

OFFICE OF UTILITY CONSUMER COUNSELOR
REVIEW COMMENTS
March 31, 2005

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently signed and dated prior to the last day worked.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

CONTRACT APPROVALS

Our testing of contract payments found that the Office of Utility Consumer Counselor allowed work to proceed under contracts for expert professional services prior to full approval by the proper officials. The agency's policy was to allow work to begin prior to full approval with the warning they are "working at their own risk". Invoices presented for payment for this work would not be paid until the contract was fully approved with all the required signatures. The standard required official signatures are the Department of Administration, Budget Agency and Attorney General. The agency's Indiana Code also requires the Governor's signature for contracts for expert services.

Internal controls are weakened when a contract is put into effect before proper approval.

Indiana Code 4-13-2-14.1 and 14.2 require that a contract to which a state agency is a party must be properly approved and in writing.

Indiana Code 8-1-1.1-6.1(c) states: "the consumer counselor may employ, with the approval of the governor and the budget agency, additional stenographers, examiners, experts, engineers, assistant counselors, accountants, and consulting firms. . . at salaries and compensation and for a length of time as the governor and the budget agency may approve for a particular case or investigation."

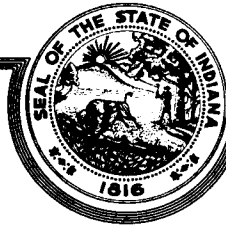
SDO FUND RECONCILIATIONS

The Office of Utility Consumer Counselor has not performed reconciliations of its Special Disbursing Officer (SDO) advance in a timely manner.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

OFFICE OF UTILITY CONSUMER COUNSELOR
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2005, with Susan L. Macey, Executive Director; and Ellie Dieckmeyer, Administrative Director. The official response has been made a part of this report and may be found on pages 6 and 7.



**INDIANA OFFICE OF
UTILITY CONSUMER COUNSELOR**

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June 9, 2005

Marilyn S. Rudolph, Interim State Examiner
State Board of Accounts
Indiana Government Center South
302 West Washington Street, Room E418
Indianapolis IN 46204

RE: Official Response to Review Comments

Dear Ms. Rudolph:

On May 31, 2005, an examiner from the State Board of Accounts conducted an exit interview with this agency to discuss review findings. Comments and feedback were given in several areas as to procedures practiced in the agency. In response, I offer the follow:

Attendance Report: It was brought to our attention that some attendance reports have been signed and dated prior to the employee's last physical day worked in the pay period. In addition, supervisors are to review and approve attendance reports after the employee's signs and verify his or her attendance. We have advised all employees not to sign their attendance reports prior to the last day worked. We have spoken to the personnel assistant and directed her to audit each attendance report to ensure compliance.

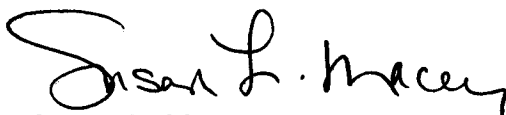
Contract Approvals: We also discussed the agency's need to sometimes allow contractors, most of whom are expert witnesses in legal proceedings, to begin work prior to the completion of the approval process outside the Agency. Notwithstanding, no invoice was ever paid without first ensuring that the contracted work had been satisfactorily completed, and the Agency has never been involved in a dispute involving this issue.

While we understand the rationale underlying the contract approval process, this Agency does have some special needs in this regard. We have instructed OUCC staff and management to make every effort to anticipate Agency's needs in a timeframe that ensures compliance with state regulations.

SDO Fund Reconciliations: Lastly, it was noted that our SDO account reconciliations were not properly performed. While the documentation reviewed by the auditor may not have clearly made this point, this Agency does, in fact, perform two (2) reconciliations each month for the SDO. Nonetheless, I have directed the Business Administrator to (1) complete the reconciliation of the bank statement to the checking account on the back of the bank statement as is her current practice; and (2) use the back of that same bank statement to reconcile the bank statement with the SDO account. This will allow both reconciliations to be clearly visible on the same document.

I welcome the opportunity to discuss any of the responses contained in this letter. Please feel free to call me at 233-3232. As a final note, we appreciate the courtesy and professionalism of your auditor throughout this process.

Best regards,

A handwritten signature in black ink, appearing to read "Susan L. Macey". The signature is fluid and cursive, with the first name "Susan" being the most prominent part.

Susan L. Macey
Utility Consumer Counselor